

**Bureau of Meteorology**

**COST RECOVERY IMPLEMENTATION STATEMENT**

**July 2015 – June 2020**

**ACTIVITY: CLIMATE INFORMATION SERVICE**

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# 1 INTRODUCTION

## 1.1 Purpose

This Cost Recovery Implementation Statement (CRIS) provides information on how the Bureau of Meteorology (the Bureau) implements cost recovery for the Climate Information Service. It also reports financial and non-financial performance information for the Climate Information Service and contains financial forecasts for 2015-16 and four forward years. The Bureau will maintain the CRIS until the activity or cost recovery for the activity has been discontinued.

## 1.2 Description of cost recovery Activity

The Bureau of Meteorology is Australia's national weather, climate, water and environment agency. Its expertise and services assist Australians in dealing with the realities of their natural environment, including drought, floods, fires, storms, tsunamis and tropical cyclones. Through regular forecasts, warnings, monitoring and advice spanning the Australian region and Antarctic territory, the Bureau provides one of the most fundamental and widely used services of government.

The Bureau's Climate Information Service is the authoritative source for climate information in Australia. It assists governments, industries and communities in managing the impacts of climate variability and change. Most climate related products and services are freely available on the Bureau's web site where users can access past weather and climate information from the Bureau's vast data archives. Charges only apply to climate data and product requests that require specific staff attention (beyond basic enquiries) to complete, and to a number of subscription services.

# 2 POLICY AND STATUTORY AUTHORITY REVIEW TO COST RECOVERY

## 2.1 Government policy approval to recover the Activity

Previous Cabinet decisions which provided authority for cost recovery were reaffirmed in the 2009-10 Budget process, where the Government amended the funding for cost recovery services provided by the Bureau, to a full cost recovery arrangement. In 2011, the Bureau's parent Portfolio refreshed the original policy authority for the Bureau to undertake a number of activities on a cost recovery basis, consistent with Australian Government Cost Recovery Guidelines. Subsequently, the Bureau has been authorised for all cost recovery activities, including climate data services.

## 2.2 Statutory authority to charge

The authority to impose a charge for products and services is provided to the Director of Meteorology in Section 8 of the *Meteorology Act 1955*.

# 3 COST RECOVERY MODEL

## 3.1 Outputs and business processes of the activity

|   | Activity                   | Description   |
|---|----------------------------|---|
| Activity 1<br>Climate and Ocean Data and<br>Analysis Services | Provision of data services | Managing, quoting, processing and servicing                 |
|   | Non Direct Costs           | Indirect labour, service availability and program expenses. |

Table 1: List of cost recovery activities and associated charges

### 3.2 Costs of the Activity

#### Changes in cost base

The main cost driver for this five year period include increases in staff salaries. The assumed changes include non-direct costs and an allowance for CPI increases. These costs assume that resource levels remain constant.

Some additional changes to charges may occur if there are changes in staffing profiles or costing models, or in tools for data extraction and provision, which will affect the charging rates or time required to service client requests. In most cases these will be minor modifications to existing charges.

Charges for climate data services are reviewed annually to ensure revenue recovers appropriate costs and accurately reflects resources required for different types of client requests. This involves reviewing hourly labour costs, the amount of time required and the appropriate level of staff to service requests, and changes to the relevant employee expenses and corporate overheads. Charges are also determined for any new types of data product that can be provided to clients. Consideration is also given to any new systems and tools implemented to aid data extraction and provision and if any technological advances have changed the number of hours to recover.

#### Summary of charging structure

The Bureau cost recovers all climate data and product requests requiring staff effort beyond basic assistance such as navigating our web pages that require no more than 15 minutes to complete and involving no extraction of data.

The cost recovered is determined for each class of request. The average time required for each type of request, along with the staff category, determines the direct staff cost. Costs for bespoke requests are calculated using the Bureau's cost and pricing tool. An average program overhead of 19.5 per cent is applied.

| Activity Name                                  | Method of Recovery | Total Cost of Activity (\$'000) | Volume of Activity | Cost Recovery Charge | Total Cost Recovered for Activity (\$'000) |
|--|--------------------|---------------------------------|--------------------|----------------------|--|
| 1 Climate and Ocean Data and Analysis services | Expense            | 400                             | 2500               | Variable             | 400  |
| <b>Total Fee for service</b>                   |                    |                                 |                    |                      | 400  |
| <b>TOTAL</b>                                   |                    |                                 |                    |                      | 400  |

**Table 2: Summary of cost recovery arrangement (2014-15)**

Table 3 has been provided to identify costs incurred.

| <b>Cost Explanation 2015-16</b> |                   |                         |             |
|---------------------------------|-------------------|-------------------------|-------------|
| Expense                         | Cost explanation  | Rationale for inclusion | Annual cost |
| Employee Expenses               | Salaries/On costs | Direct cost             | \$440k      |
| Goods & Services                | Supplier Expenses | Direct Cost             | \$13k       |
| Total                           |                   |                         | \$453k      |

**Table 3: Activity expenses**

### 3.3 Design of Cost Recovery Charges

All of the Bureau information and data is openly available to the public, community and business sectors. Much of the information is distributed via the Bureau's website, which is the most frequently used Government website in Australia. Much of the Climate Information Service basic product set (BPS) is available on the website. That which is not, which requires additional effort to retrieve, and that beyond the BPS, is cost recovered. There are three types of cost-recovered service under the climate data services covered within this CRIS:

1. Ad hoc, single data requests sent by clients
2. Subscription services for on-going provision of the same data product
3. Subscription services to self-service online tools

The charges associated with each type are determined as follows:

- A set fee for standard data requests, and a fee determined through the Bureau's cost and pricing tool for more advanced requests
- Subscriptions are charged based on two components: an initial setup fee and a maintenance and support fee, which is charged for each month of the subscription period (typically 12 months).
- Subscriptions to self-service tools such as the Storm Confirmation tool (for the insurance industry) are calculated to recover the cost of developing and maintaining the tools with an assumed number of subscribers.

#### Volume and demand assumptions

Demand for cost recovery climate data services has decreased in recent years due to increased automation and availability of common data types as well as a predictable market response to increased charges. Some further decreases can be expected in coming years, but high-volume, basic data requests are being replaced with increased demand for value-added analysis services. Overall revenue is expected to remain relatively constant.

|         | No. paid requests | Revenue (\$'000) |
|---------|-------------------|------------------|
| 2014-15 | 2250              | 467              |
| 2015-16 | 2200              | 467              |
| 2016-17 | 2150              | 467              |
| 2017-18 | 2100              | 467              |
| 2018-19 | 2050              | 467              |
| 2019-20 | 2000              | 467              |

Table 4 Estimated activity levels

## 4 RISK ASSESSMENT

| Implementation risks   | Low  | Medium                                    | High   |
|--|--|---|--|
| 1. What is the proposed change in annual cost recovery revenue for the activity? | <5%<br><input checked="" type="checkbox"/>       | 5 < 10 %<br><input type="checkbox"/>      | >10% or new<br><input type="checkbox"/> <input type="checkbox"/> |
| 2. What is the total proposed annual cost recovery revenue for the activity?     | 0 - \$10m<br><input checked="" type="checkbox"/> | \$10m < \$20m<br><input type="checkbox"/> | \$20m +  |

| Implementation risks  | Low   | Medium   | High   |
|---|---|--|--|
| 3. What does the policy proposal or change in the cost recovered activity involve?  | Change in the level of existing cost recovery charges<br><input checked="" type="checkbox"/>                        | Change in the structure of existing cost recovery charges and/or composition of payers<br><input type="checkbox"/> | Introduction of cost recovery for a new activity or for an existing activity (or its components) that has not been cost recovered previously<br><input type="checkbox"/> |
| 4. What type of cost recovery charges will be used?   | Levies only<br><input type="checkbox"/>   | Fees only or fees and levies<br><input checked="" type="checkbox"/>  | Fees, levies and other charges<br><input type="checkbox"/>   |
| 5. What legislative requirements are necessary for imposition of cost recovery charges?   | Does not involve an Act of Parliament (e.g. Regulations, Determinations etc)<br><input checked="" type="checkbox"/> | Involves an Act of Parliament (e.g. enabling Act or levy imposition Act)<br><input type="checkbox"/>               | Requires State/Territory legislative changes or referral of powers to the Commonwealth<br><input type="checkbox"/>   |
| 6. Does the proposal involve working with other Commonwealth, State/Territory and/or local government entities?   | No<br><input checked="" type="checkbox"/>   | Yes - with Commonwealth entities only<br><input type="checkbox"/>  | Yes – with Commonwealth and State/Territory entities<br><input type="checkbox"/>   |
| 7. What will be the expected impact of cost recovery on payers?<br><i>This may depend on, among other things:</i> <ul style="list-style-type: none"> <li>• <i>the change in the level of charges</i></li> <li>• <i>the number of people affected</i></li> <li>• <i>the cumulative effect from other government charges/regulation</i></li> <li>• <i>the economic conditions etc.</i></li> </ul> | Low<br><input checked="" type="checkbox"/>  | Medium<br><input type="checkbox"/>   | High<br><input type="checkbox"/>   |
| 8. What consultation has occurred with payers and other stakeholders about the proposed cost recovery?  | Consulted - no significant issues raised<br><input checked="" type="checkbox"/>                                     | Consulted – significant issues raised but can be addressed<br><input type="checkbox"/>                             | Not consulted <u>or</u> consulted and significant issues raised but ongoing sensitivities<br><input type="checkbox"/>  |

|  |  |                                 |                  |                               |  |
|--|--|---------------------------------|------------------|-------------------------------|--|
| Overall CRRR rating: LOW <input checked="" type="checkbox"/> |  | MEDIUM <input type="checkbox"/> |                  | HIGH <input type="checkbox"/> |  |
| Supporting Analysis:<br>Climate Data Services                |  |                                 |                  |                               |  |
| Entity sign-off:   |  |                                 | Finance comment: |                               |  |
| Date:  |  |                                 | Date:            |                               |  |

Table 5. Risk assessment table.

## 5 STAKEHOLDER ENGAGEMENT

The Bureau published its CRIS on the Bureau website and invites ongoing comment from clients on its content. Where major changes to pricing are contemplated, the Bureau intends to consult widely with the user community via the Bureau web site before implementation. Stakeholder consultation is undertaken through gathering of user feedback via an online feedback form as well as direct contact with clients. The Bureau's costs and prices are reviewed annually to ensure that revenue recovers appropriate costs.

These cost recovery arrangements will be formally reviewed within the 5 year time frame to 30 June 2020. However, the fee structure will continue to be reviewed annually.

## 6 FINANCIAL ESTIMATES

### Projected Expenses and Revenue

The Bureau does not foresee a material increase in demand for cost recovered services in the next few years. The nature of requests is changing as fewer basic data requests are received due to more data being available for free download online and demand for analysis services increases. No substantial change in costs or revenue are expected.

| Activity                                    | 2015-16<br>\$ ' 000 | 2016-17<br>\$ ' 000 | '17-18<br>\$ ' 000 | '18-19<br>\$ ' 000 | '19-20<br>\$ ' 000 | Total       |
|---|---------------------|---------------------|--------------------|--------------------|--------------------|-------------|
| Management, Governance and Service Delivery | 440                 | 447                 | 453                | 460                | 467                | 2267        |
| Non Direct Costs                            | 13                  | 13                  | 13                 | 13                 | 13                 | 65          |
| <b>Total - Services Expenses</b>            | <b>453</b>          | <b>460</b>          | <b>466</b>         | <b>473</b>         | <b>480</b>         | <b>2332</b> |
| <b>Overall Projected Revenue</b>            | <b>467</b>          | <b>467</b>          | <b>467</b>         | <b>467</b>         | <b>467</b>         | <b>2335</b> |
| <b>Operating Balance +/-</b>                | <b>+14</b>          | <b>+7</b>           | <b>+1</b>          | <b>-6</b>          | <b>-13</b>         | <b>+3</b>   |
| <b>Ongoing Operating Balance</b>            | <b>+14</b>          | <b>+21</b>          | <b>+22</b>         | <b>+16</b>         | <b>+3</b>          | <b>+3</b>   |

Table 6 Projected expenses and revenues to 2020

## 7 A - FINANCIAL PERFORMANCE

The Climate Information Service is a minor cost recovery activity for the Bureau. It operates using shared resources from one or more business units having basic service responsibilities. Operating balances are expected to be not material and no separate financial performance measures have been necessary for cost recovery purposes.

## 7 B - NON-FINANCIAL PERFORMANCE

In servicing climate data access requests, the Bureau is guided by principles of equity, efficiency, consistency and open access. Ongoing feedback is received from clients through an online feedback form, direct email and phone conversations with clients, and user needs surveys. This feedback is used to inform improvements in service delivery and product development relevant to the Bureau's climate and ocean data and analysis services.

### Key performance indicators:

- Increasing usage as measured by unique visits to the suite of climate data services' public

web applications.

- 85 per cent of users are satisfied or very satisfied with both the manual and web data services.
- At least 90 per cent of standard cost-recovery requests for climate data or information are closed within 10 working days of receipt of payment.
- Maintain a positive Net Promoter Score for Climate Information Service.

## 8 KEY FORWARD DATES AND EVENTS

### Next scheduled update of forward (financial) estimates

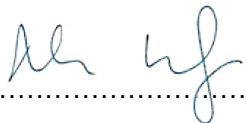
Annual review of costs, expenses and projected revenue in May 2016.

## 9 CRIS APPROVAL AND CHANGE REGISTER

| Date of CRIS change | CRIS change          | Approver                      | Basis for change             |
|---------------------|----------------------|-------------------------------|------------------------------|
| 3/06/2015           | New text and figures | Assistant Director<br>Finance | New cost recovery guidelines |

## 10 CERTIFICATION

I certify that this CRIS complies with the Australian Government Cost Recovery Guidelines.



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Dr Robert Vertessy  
Director  
Bureau of Meteorology

Date: 29 June 2015  
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